

Industry Update

# Food and Agribusiness



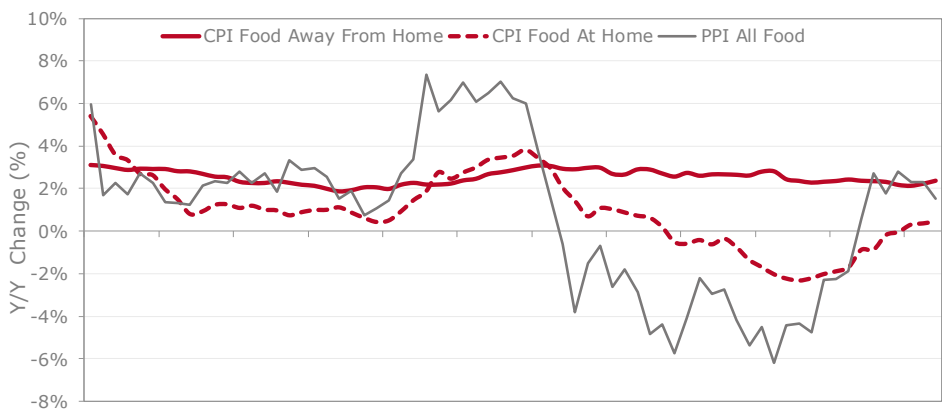
## Supermarket & Restaurant Comps

- Supermarket comparable sales are in the -1.5% to -0.5% range driven by -3.5% to -3.0% volume decline and 2.0% to 2.5% price. Volume declines have averaged -2.8% YTD, while implied pricing has been +1.5% or higher in each of the last 6 periods.
- Restaurant comparable sales are in the -0.5% to +0.5% range driven by -2.5% to -2.0% volume declines and 2.0% to 2.5% price growth. Restaurant chains continue to struggle to win back customer traffic.

## Key Demand Developments

- Growth in housing prices remain a positive to consumer balance sheets, with the Case-Shiller 20 city index rising +6.0% Y/Y in August.
- The performance of the S&P 500 was up +19% YoY, a tailwind for the consumer balance sheet.
- The consumer income statement is also boosted by job and wage growth as non-farm payrolls increased by +1.2% Y/Y in September and average hourly earnings increased +2.5% Y/Y, both tailwinds for the consumer.
- Gas prices continue to be a tailwind for the consumer; oil futures have hovered above \$55/barrel, up +17% YoY. Average prices have ticked up but remain -20% below the 5 year average.
- The Consumer Confidence Index as measured by the Conference Board was 125.9 in October +25.1 points above the Oct16 reading of 100.8.

## Consumer and Producer Price Indices



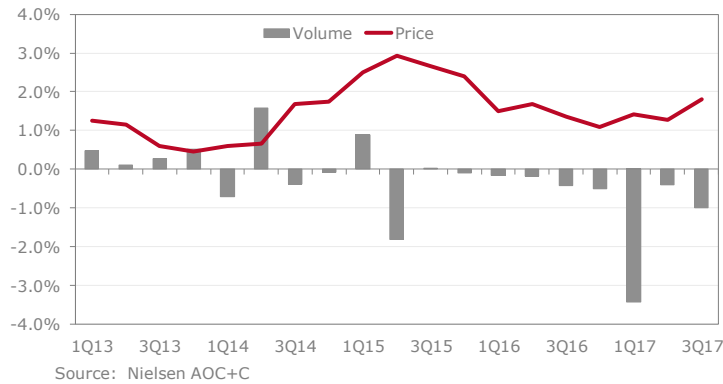
Source: U.S. Bureau of Labor Statistics

## Price & Food Inflation Developments

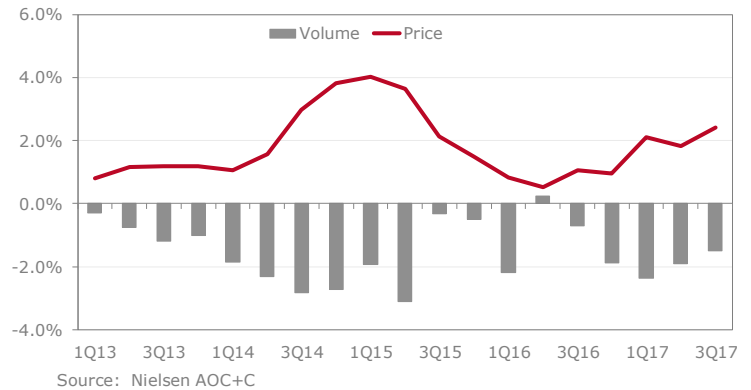
- We maintain a constructive outlook for volumes given pricing levels below 3%. The spread between restaurant and food retail pricing has narrowed -300bp from Aug16 highs.
- Restaurant pricing measured by the CPI food away from home index (CPI-FAFH) increased +2.4% in September Y/Y, which is up +20bp vs. the prior month and flat vs. the prior year.
- Food Retail pricing measured by the CPI food at home index increased +0.5% in September Y/Y, which is up +10bp vs. the prior month and up +270bp vs. the prior year.
- The Producer Price Index (PPI All Food) increased +1.5% in September Y/Y, which is down -80bp vs. the prior month and up +590bp vs. the prior year.

**Grocery Department Trends:** Perimeter-winning themes continue in 3Q17 as the Deli category posts strong volume gains; Dairy volumes lag as the input pricing cycle begins to impact retail.

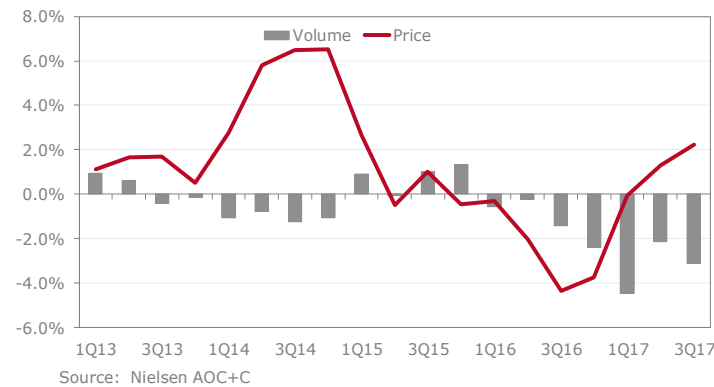
**Dry Grocery**



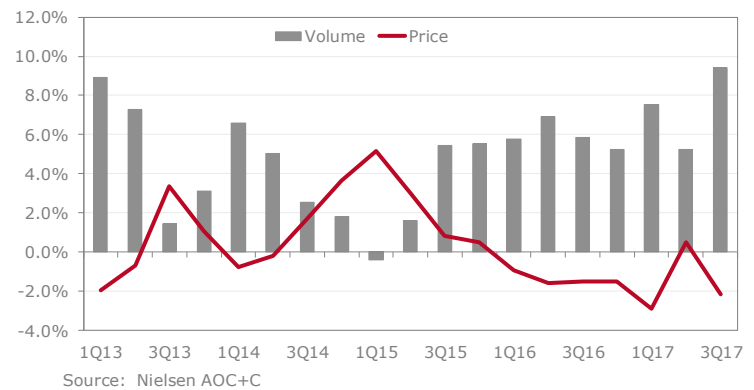
**Frozen Foods**



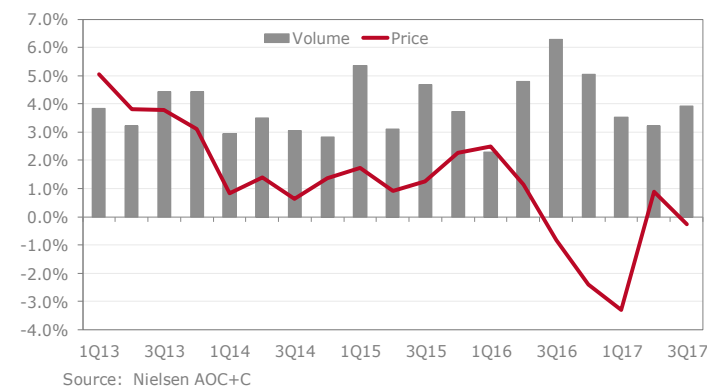
**Dairy**



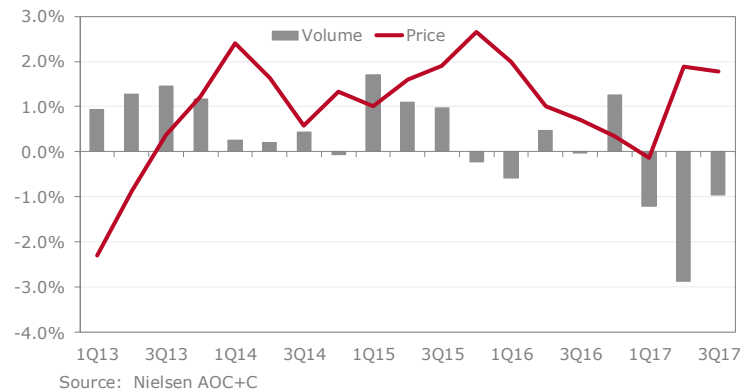
**Deli**



**Fresh Produce**



**Bakery**



- Dry Grocery 3Q17 price/mix increased +1.8% YoY, an increase of +50bp vs. 2Q17. Dry Grocery volumes decreased -1.0% YoY, a decrease of -60bp vs. 2Q17.
- Dairy 3Q17 price/mix increased +2.2% YoY, an increase of +90bp vs. 2Q17. Dairy volumes decreased -3.1% YoY, a decrease of -90bp vs. 2Q17.
- Fresh Produce 3Q17 price/mix decreased -0.3% YoY, a decrease of -120bp vs. 2Q17. Fresh Produce volumes increased +3.9% YoY, an increase of +70bp vs. 2Q17.
- Frozen Food 3Q17 price/mix increased +2.4% YoY, an increase of +60bp vs. 2Q17. Frozen Food volumes decreased -1.5% YoY, an increase of +40bp vs. 2Q17.
- Deli 3Q17 price/mix decreased -2.2% YoY, a decrease of -270bp vs. 2Q17. Deli volumes increased +9.4% YoY, an increase of +420bp vs. 2Q17.
- Bakery 3Q17 price/mix increased +1.8% YoY, a decrease of -10bp vs. 2Q17. Bakery volumes decreased -1.0% YoY, an increase of +190bp vs. 2Q17.

Food Company Margin Heat Map YoY			
Price vs. Volume	Commodities		Labor
	Grain	Protein	Energy
Constructive	Inflationary	Inflationary	Inflationary
	Mixed	Inflationary	

### Food Company Input Cost Summary:

As we enter 2H17 a large portion of commodities have shown moderate inflation vs. 2016 levels.

- **Economic Backdrop:** Positive economic indicators continue to inch forward; USD measures are now below pre-election levels.
- **Corn, Wheat & Soy Prices:** 16/17 exhibited low price levels in corn, wheat, and soy on increased production, initial forecasts for 17/18 call for mixed prices at current levels on decreased production.
- **Chicken:** Broiler and thigh prices have remained above 2015/16 levels on strong exports and gradual tightening of cold storage supplies, while egg sets build.
- **Beef:** Prices are above 2016 levels as YoY inventory levels are lower and exports continue to strengthen.
- **Pork:** Prices are near 2015 and well above decade-low Oct16 levels as inventories trend lower, slaughter counts remain above prior year levels and exports seasonally decline.
- **Packer Margin Environment:** Chicken, beef and pork estimated packer ratios have all dipped below 2016 levels as cut-out values have declined in recent months.
- **Seafood:** Shrimp and salmon prices are in-line with 2015/16 levels on strong imports; and pollock prices are at multi-year lows.
- **Dairy:** Current prices are in-line with 2016 levels as exports level off and supplies remain ample.
- **Specialty Crops:** Current sugar, coffee, cotton and orange juice prices appear to have bottomed following periods of decline, while cocoa prices have been leveled off since April.
- **Forestry Products:** Strength in housing starts and remodel activity continues to support demand for framing lumber and structural panel prices.
- **Crop Inputs:** Fertilizer prices remain under pressure with higher than expected imports; all 4 fertilizers are near 2016 levels as Urea ticks higher.
- **Energy & Labor:** Global oil prices have kept energy prices in check, while we observe wage inflation gains in restaurants and supermarkets.

Key Commodity Heat Map			
Commodity	Price	Y/Y	M/M
Corn	\$3.50	+0.2%	-1.3%
Wheat	\$4.35	+6.4%	-2.6%
Soybeans	\$9.76	-0.1%	+0.9%
Broilers	\$0.89	+15.8%	-3.9%
Cattle	\$1.18	+16.3%	+8.3%
Hogs	\$0.63	+45.5%	+5.0%
Milk	\$16.80	+14.6%	-4.3%
Shrimp	\$4.70	-2.2%	+0.2%
Salmon	\$4.85	-1.4%	+2.8%
Nat. Gas	\$8.69	+5.1%	-2.1%
Electricity	\$10.73	+0.3%	-2.0%
Heating Oil	\$2.49	+17.5%	+8.8%
Rest. Labor	\$13.47	+3.9%	0.4%
Sup. Labor	\$13.01	+2.1%	-0.4%
Food Labor	\$16.82	+0.6%	+0.8%

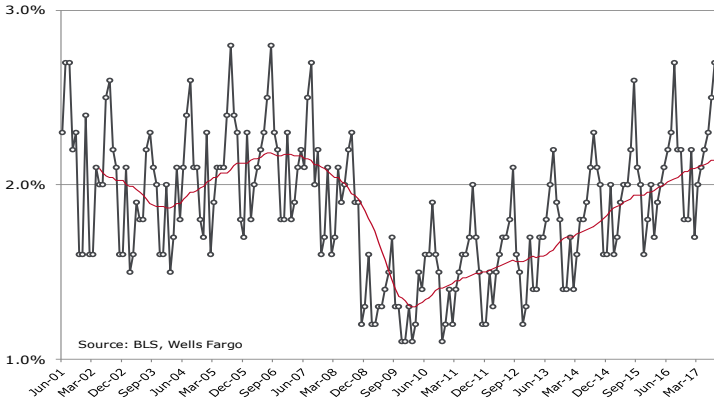
\*Monthly average corn, wheat, soybeans in \$/bu; broiler, shrimp in \$/lb; cattle, hogs, milk in,

\$/cwt; salmon, cod in \$/kg; gas in \$/Mct; oil in \$/gal; electricity in \$/kWh; labor in \$/hr

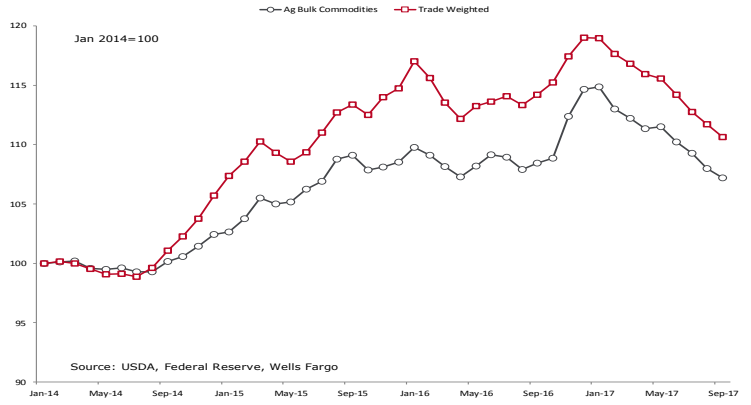
Source: USDA; BLS; IMF; IntraFish

**Economics:** Positive economic indicators continue to inch forward; USD measures are now below pre-election levels.

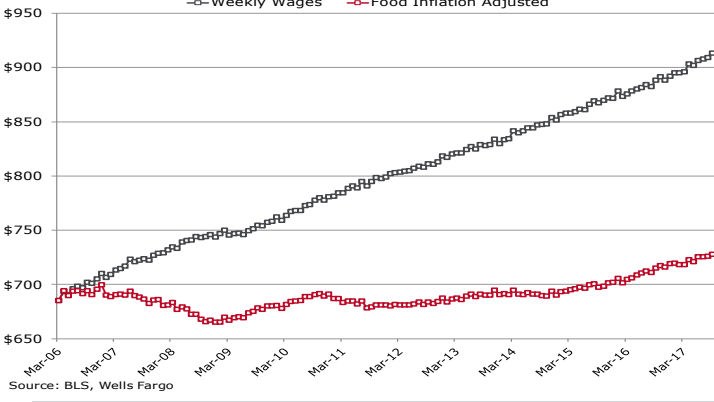
**Voluntary Quits as % of Employment**



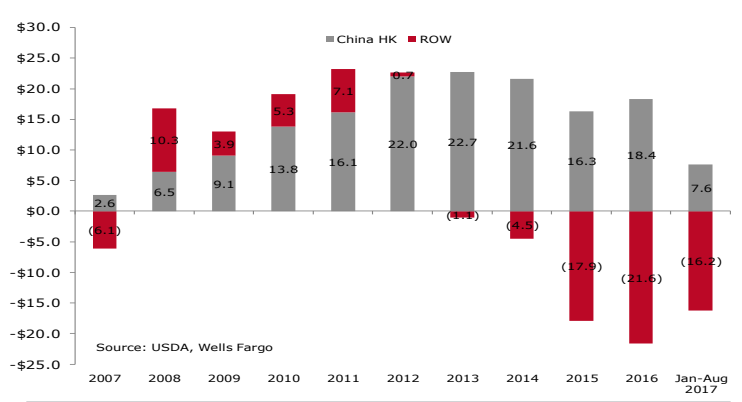
**Trade Weighted Dollar vs. Ag Index**



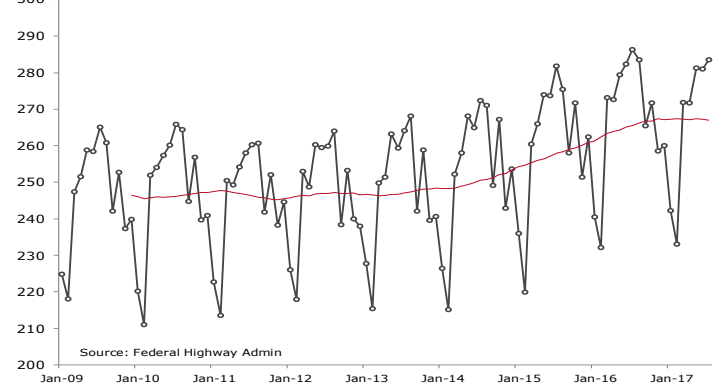
**Weekly Earnings Rates**



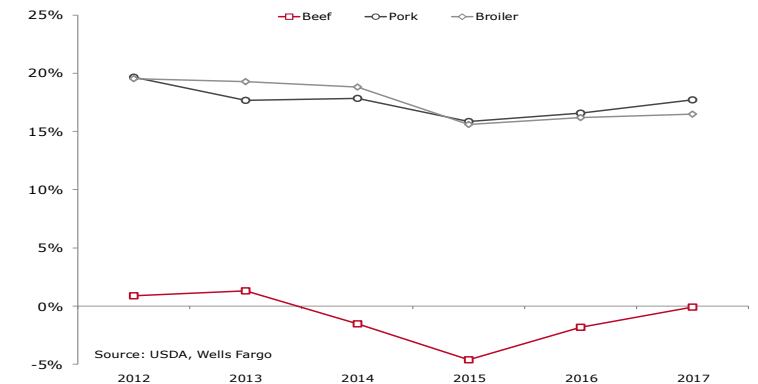
**Net Trade Balance**



**Billions of Miles Driven**



**Net Export as % of Production**

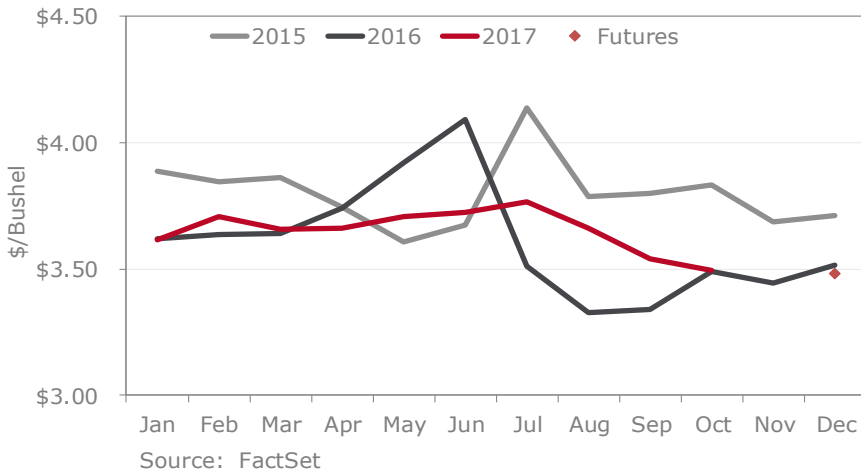


- The August 2017 voluntary quits as a percentage of employment of 2.7% was flat vs. the Aug16 reading of 2.7%. The 12 month rolling average is approaching pre-recessionary levels.
- The September 2017 weekly average earnings are growing +2.8% YoY on a nominal basis; when deflated by food & beverage CPI the Sep17 average wages of \$728/week increased +1.8% vs. Sep16. The pre-recession inflation adjusted peak was \$703/week in December of 2006.
- The July 2017 monthly average miles driven of 284 billion decreased -1.0% vs. Jul16 despite gas prices and better employment continuing to provide tailwinds.

- The September 2017 trade weighted dollar index value of 110.6 vs. bulk commodity dollar index value of 104.7 represents a narrower gap when compared to the September 2016 values of 114.2 and 106.1 respectively.
- The 2017 YTD net trade balance of -\$8.6 billion represents a smaller deficit compared the Jan-Aug 2016 total of -\$9.9 billion. The 2016 full year net trade balance of -\$3.2 billion is the largest full year trade deficit since pre 2007.
- The 2017 pork and broiler markets face a stronger headwind from dollar strengthening as net exports comprise 17.7% and 16.5% percent of total production vs. -0.1% for beef.

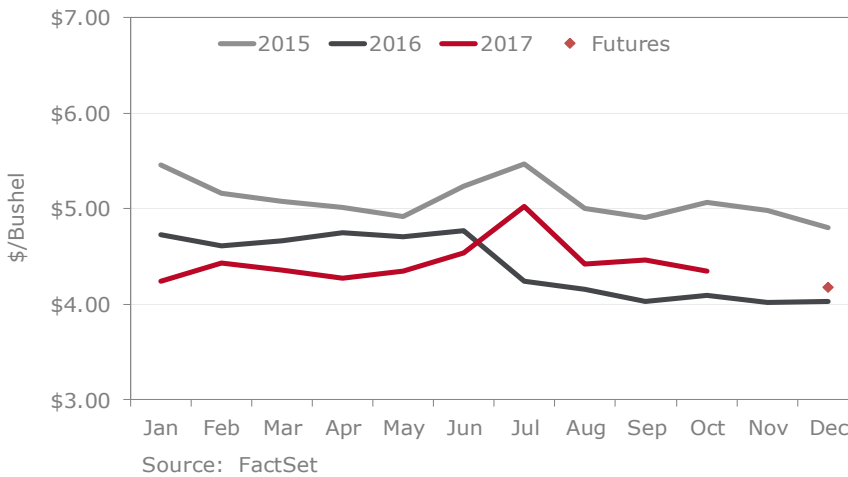
**Soft Commodities Prices:** 16/17 exhibited low price levels in corn, wheat and soy on increased production, forecasts for 17/18 call for mixed prices at current levels on decreased production.

**Corn**



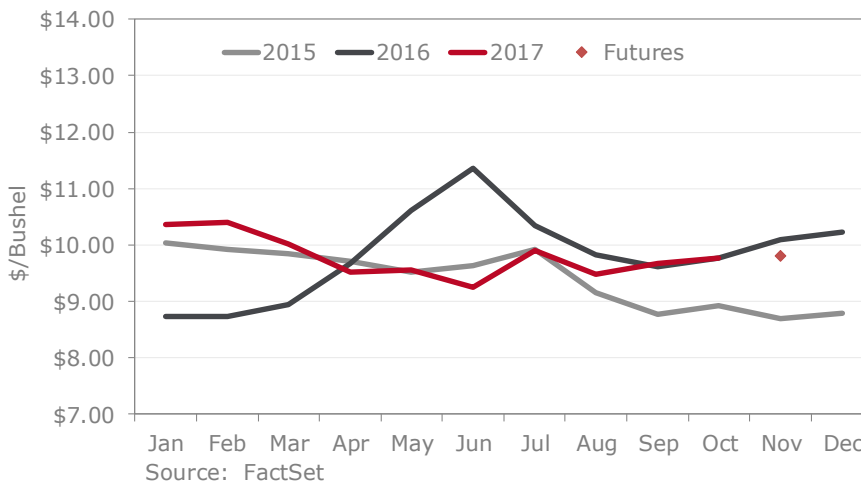
- The October monthly average corn price of \$3.50/bu decreased -1.3% vs. the prior month and increased +0.2% vs. the prior year period.
- The WASDE's (World Agricultural Supply and Demand Estimates) median average farm price projection for 2017/18 is \$3.20/bu, down -4.5% from \$3.35/bu in 2016/17. The prior estimate for 2017/18 was \$3.20/bu.
- WASDE forecasts global corn production to be 1,039 million tons in 2017/18 which is down -3.4% vs. 2016/17.

**Wheat**



- The October monthly average wheat price of \$4.35/bu decreased -2.6% vs. the prior month and increased +6.4% vs. the prior year period.
- The WASDE U.S. median average farm price forecast for 2017/18 is \$4.60/bu, up +18.3% from \$3.89/bu in 2016/17. The prior estimate for 2017/18 was \$4.60/bu.
- WASDE forecasts global wheat production to be 751 million tons for 2017/18, which is down -0.4% vs. 2016/17.

**Soybeans**



- The October monthly average soybean price of \$9.76/bu increased +0.9% vs. the prior month and decreased -0.1% vs. the prior year period.
- The WASDE U.S. median average farm price forecast for 2017/18 is \$9.20/bu, down -3.2% from \$9.50/bu in 2016/17. The prior estimate for 2017/18 was \$9.20/bu.
- WASDE forecasts global soybean production at 348 million tons for 2017/18, which is down -1.0% vs. 2016/17.

## Soft Commodities Fundamentals: 17/18 forecasts point to lower yields and subsequently lower production across corn, wheat, and soy with annual price estimates mixed.

### Corn

	2015/2016	2016/2017E	2017/2018P	2017/2018P	M/M Change	Y/Y Change
			September	October	Forecast	Forecast
Area Planted (mm)	88.0	94.0	90.9	90.4	-0.6%	-3.8%
Area Harvested	80.8	86.7	83.5	83.1	-0.5%	-4.2%
Yield per Harvested Acre (bu)	168.4	174.6	169.9	171.8	1.1%	-1.6%
Beginning Stocks (mm bu)	1,731	1,737	2,350	2,295	-2.3%	32.1%
Production	13,602	15,148	14,184	14,280	0.7%	-5.7%
Imports	67	55	50	50	0.0%	-9.1%
Total Supply	15,401	16,940	16,585	16,625	0.2%	-1.9%
Exports	1,898	2,225	1,850	1,850	0.0%	-16.9%
Total Use	13,664	14,645	14,250	14,285	0.2%	-2.5%
Ending Stocks	1,737	2,295	2,335	2,340	0.2%	2.0%
<b>Stocks to Use (%)</b>	<b>12.7%</b>	<b>15.7%</b>	<b>16.4%</b>	<b>16.4%</b>	<b>0.0%</b>	<b>0.7%</b>

- The October WASDE report for the 2017/18 corn harvest year forecasts yield per acre to decrease -1.6% YoY and total supply to decrease -1.9% YoY. Ending stocks are expected to be up +2.0% YoY and stocks to use up +0.7% YoY.
- The October WASDE report estimate for total supply increased +0.2% vs. the prior month; the estimate for ending stocks increased +0.2% vs. the prior month and estimated stocks to use was unchanged.

### Wheat

	2015/2016	2016/2017E	2017/2018P	2017/2018P	M/M Change	Y/Y Change
			September	October	Forecast	Forecast
Area Planted (mm)	55.0	50.2	45.7	46.0	0.7%	-8.4%
Area Harvested	47.3	43.9	38.1	37.6	-1.3%	-14.4%
Yield per Harvested Acre (bu)	43.6	52.6	45.6	46.3	1.5%	-12.0%
Beginning Stocks (mm bu)	752	976	1,184	1,181	-0.3%	21.0%
Production	2,062	2,310	1,739	1,741	0.1%	-24.6%
Imports	113	115	150	150	0.0%	30.4%
Total Supply	2,927	3,400	3,074	3,071	-0.1%	-9.7%
Exports	775	1,035	975	975	0.0%	-5.8%
Total Use	1,952	2,241	2,141	2,111	-1.4%	-5.8%
Ending Stocks	976	1,159	933	960	2.9%	-17.2%
<b>Stocks to Use (%)</b>	<b>50.0%</b>	<b>51.7%</b>	<b>43.6%</b>	<b>45.5%</b>	<b>1.9%</b>	<b>-6.2%</b>

- The October WASDE report for the 2017/18 wheat harvest year forecasts yield per acre to decrease -12.0% YoY and total supply to decrease -9.7% YoY. Ending stocks are expected to be down -17.2% YoY and stocks to use down -6.2% YoY.
- The October WASDE report estimate for total supply decreased -0.1% vs. the prior month; the estimate for ending stocks increased +2.9% vs the prior month and estimated stocks to use increased +190bp.

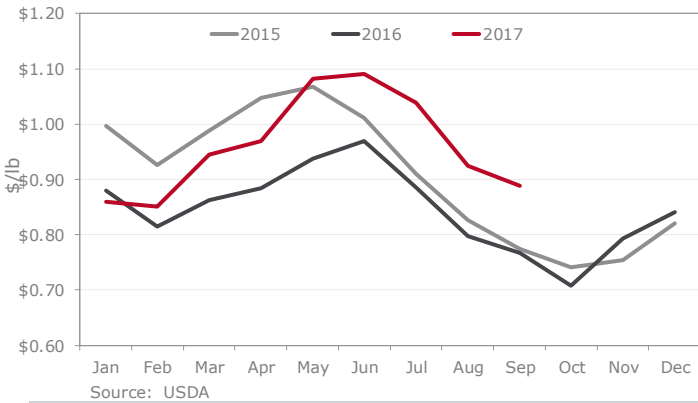
### Soybeans

	2015/2016	2016/2017E	2017/2018P	2017/2018P	M/M Change	Y/Y Change
			September	October	Forecast	Forecast
Area Planted (mm)	82.7	83.4	89.5	90.2	0.8%	8.2%
Area Harvested	81.7	82.7	88.7	89.5	0.9%	8.2%
Yield per Harvested Acre (bu)	48.0	52.1	49.9	49.5	-0.8%	-5.0%
Beginning Stocks (mm bu)	191	197	345	301	-12.8%	52.8%
Production	3,926	4,307	4,431	4,431	0.0%	2.9%
Imports	24	25	25	25	0.0%	0.0%
Total Supply	4,140	4,528	4,801	4,757	-0.9%	5.1%
Crushings	1,886	1,925	1,940	1,940	0.0%	0.8%
Exports	1,936	2,050	2,250	2,250	0.0%	9.8%
Total Use	3,944	4,093	4,326	4,326	0.0%	5.7%
Ending Stocks	197	435	475	430	-9.5%	-1.1%
<b>Stocks to Use (%)</b>	<b>5.0%</b>	<b>10.6%</b>	<b>11.0%</b>	<b>9.9%</b>	<b>-1.0%</b>	<b>-0.7%</b>

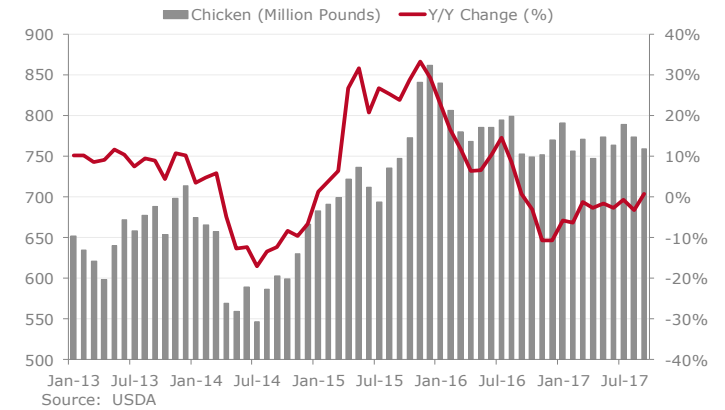
- The October WASDE report for the 2017/18 soybean harvest year forecasts yield per acre to decrease -5.0% YoY and total supply to increase +5.1% YoY. Ending stocks are expected to be down -1.1% YoY and stocks to use down -0.7% YoY.
- The October WASDE report estimate for total supply decreased -0.9% vs. the prior month; the estimate for ending stocks decreased -9.5% vs. the prior month and estimated stocks to use decreased -100bp.
- Source: USDA WASDE

**Chicken:** Broiler and thigh prices have remained above 2015/16 levels on strong exports and gradual tightening of cold storage supplies, while egg sets build.

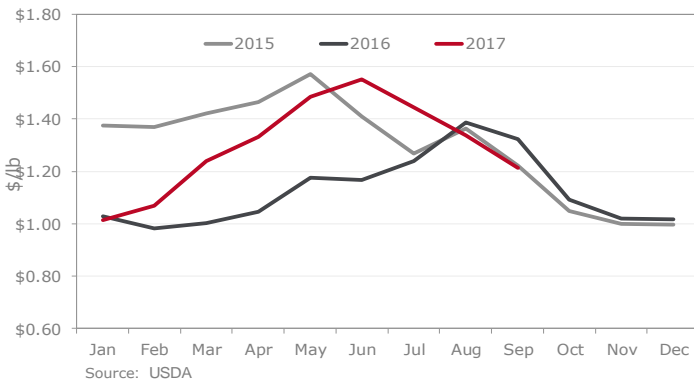
**Whole Broiler Prices**



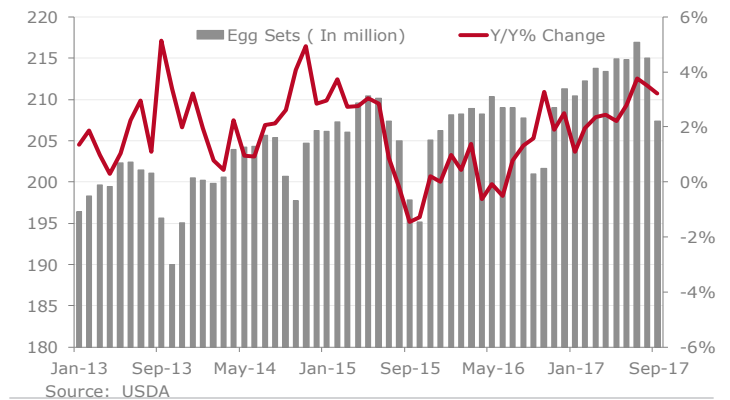
**Cold Storage Inventories**



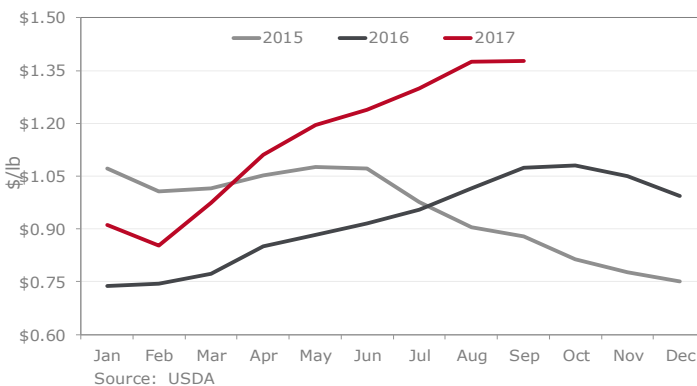
**Boneless Skinless Breast Prices**



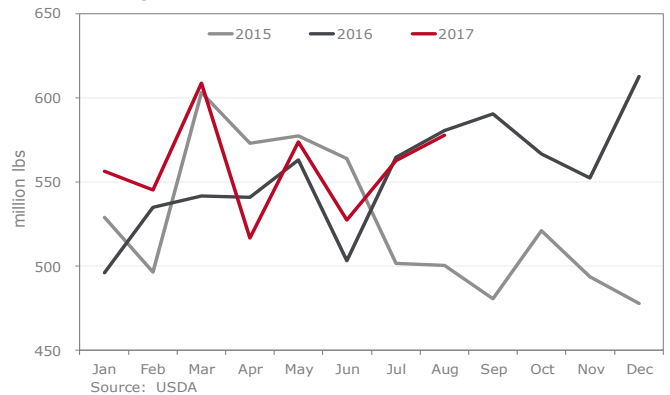
**Egg Sets**



**Boneless Skinless Thigh Prices**



**Broiler Exports**

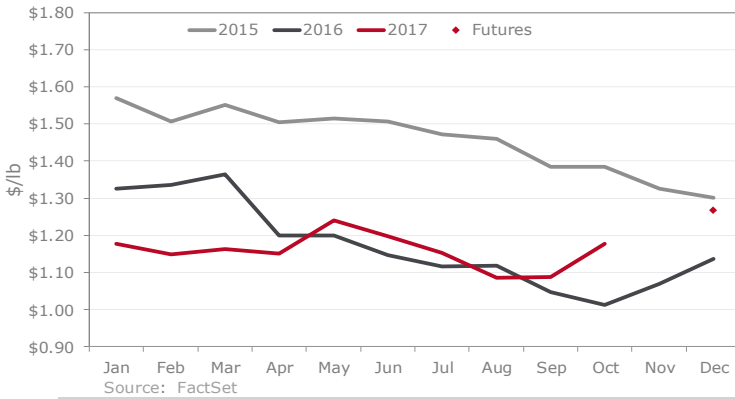


- The September USDA broiler price of \$0.888/lb decreased -3.9% vs. the prior month and increased +15.8% vs. Sep16.
- The WASDE U.S. median average price forecast for 2017 is \$0.938/lb, up +11.3% from \$0.843/lb in 2016. The prior projection for 2017 was \$0.940/lb. Total 2017 production is estimated to be 41.44mm lbs., up +1.8% vs. 2016.
- The September average breast price of \$1.214/lb decreased -9.3% vs. the prior month and -8.1% vs. Sep16. The September average thigh price of \$1.377/lb increased +0.2% vs. the prior month and increased +28.2% vs. Sep16.

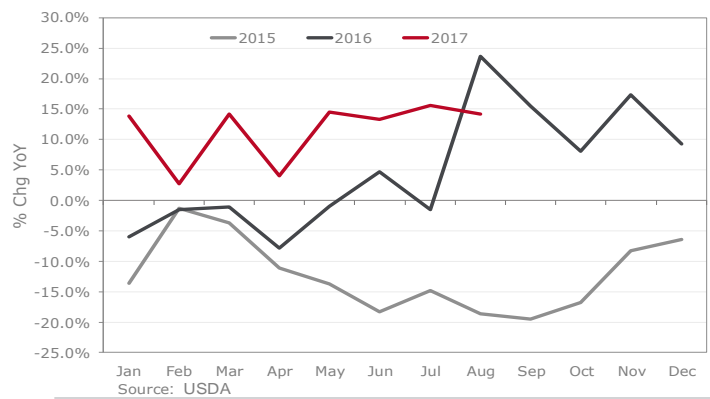
- Fundamentals: Cold storage increased +0.8% in September Y/Y, which is up +400bp vs. the prior month. Egg sets increased +3.2% in September Y/Y, which is down -30bp vs. the prior month. Exports decreased -0.5% in August Y/Y, which is down -20bp vs. the prior month.
- The September combined regional large egg price of \$1.12/dozen increased +29.0% vs. the prior month and +62.0% vs. Sep16.

**Beef:** Prices are above 2016 levels as YoY inventory levels are lower and exports continue to strengthen.

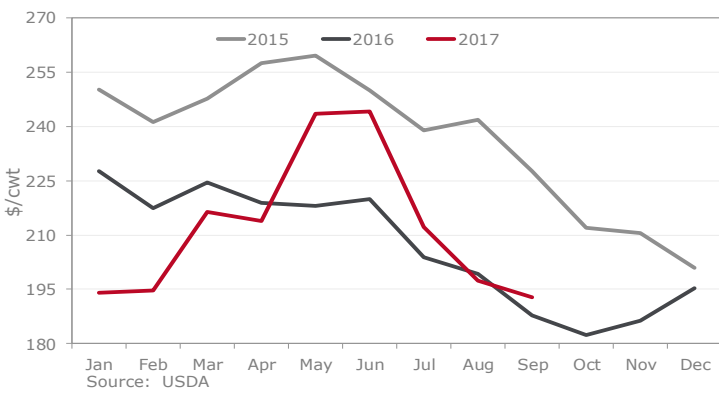
**Live Cattle Prices**



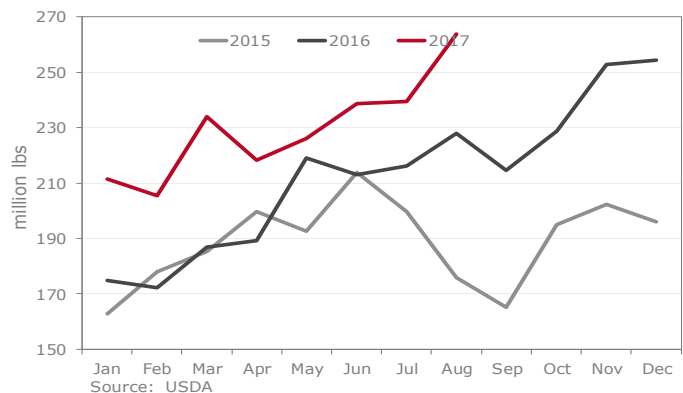
**Heifer Slaughter**



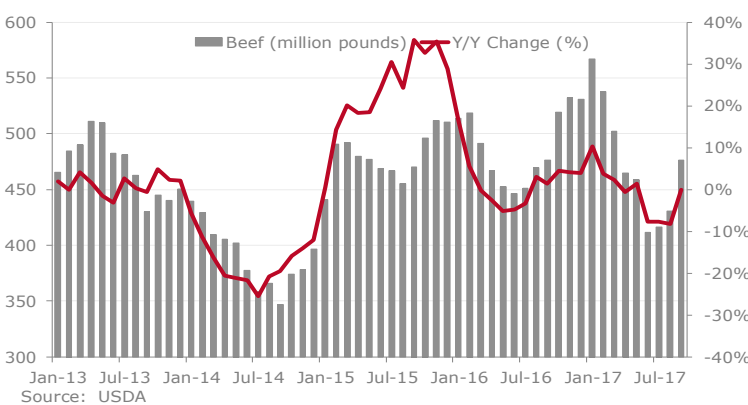
**Cut Out Values**



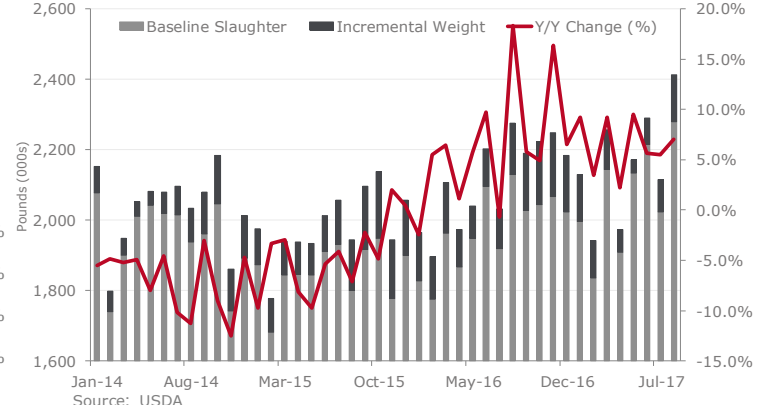
**Beef and Veal Exports**



**Cold Storage Inventories**



**Monthly Cattle Processing**



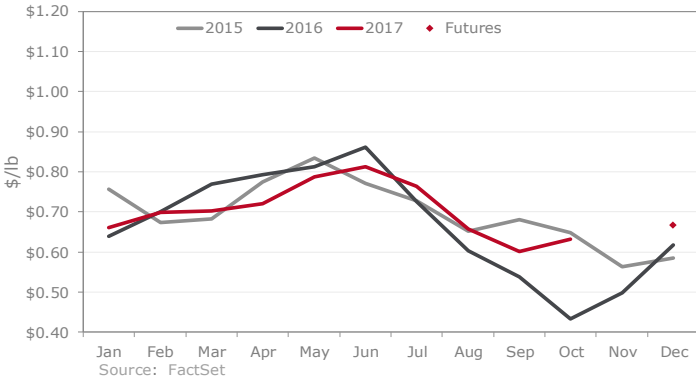
- The October cattle price of \$1.18/lb increased +8.3% vs. the prior month and increased +16.3% vs. Oct16.
- The WASDE U.S. median average price forecast for 2017 is \$119.6/cwt, down -1.0% from \$120.86/cwt in 2016. The prior projection for 2017 was \$119.0/cwt. Total 2017 production is estimated to be 26.5mm lbs., up +5.3% vs. 2016.
- The September average cut-out value decreased -2.4% vs. the prior month and increased +2.7% vs. Sep16.

- Fundamentals: Cold storage decreased -0.1% in September Y/Y, which is up +820bp vs. the prior month. Heifer slaughter numbers increased +14.2% in August Y/Y, which is down -140bp vs. the prior month. Exports increased +15.7% in August Y/Y, which is up +490bp vs. the prior month. Cattle head processed increased +7.1% in August Y/Y which is up +160bp vs. the prior month. Slaughter weight data indicates that heavier weights contributed to +5.5% of total slaughter volume, which decreased -90bp vs. the prior year period.

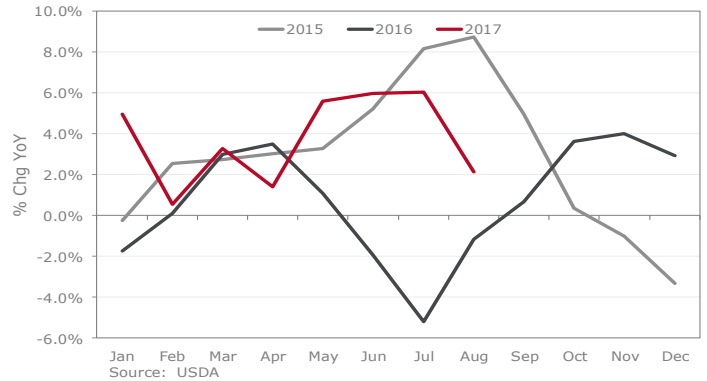


**Pork:** Prices are near 2015 and well above decade-low Oct16 levels as inventories trend lower, slaughter counts remain above prior year levels and exports seasonally decline.

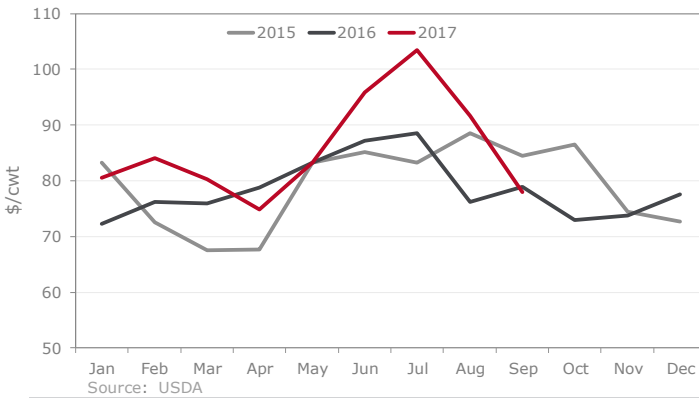
**Live Hog Prices**



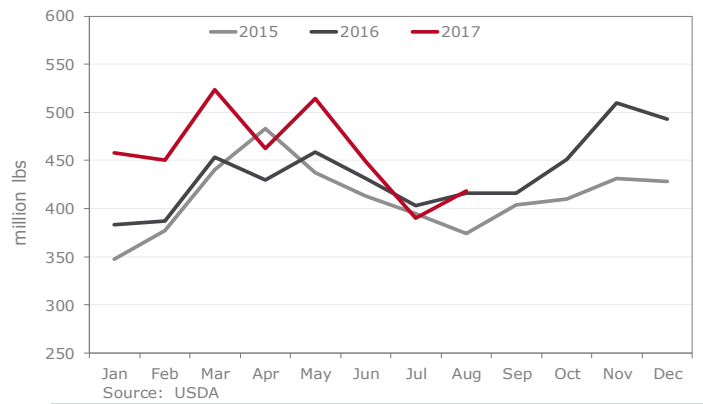
**Sow Slaughter (3 Month Rolling Average)**



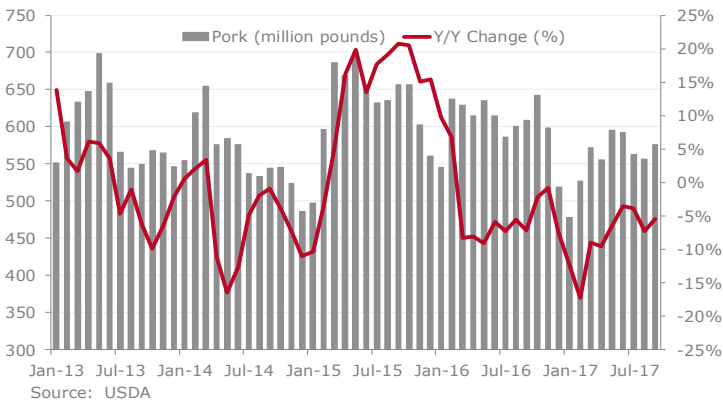
**Cut Out Values**



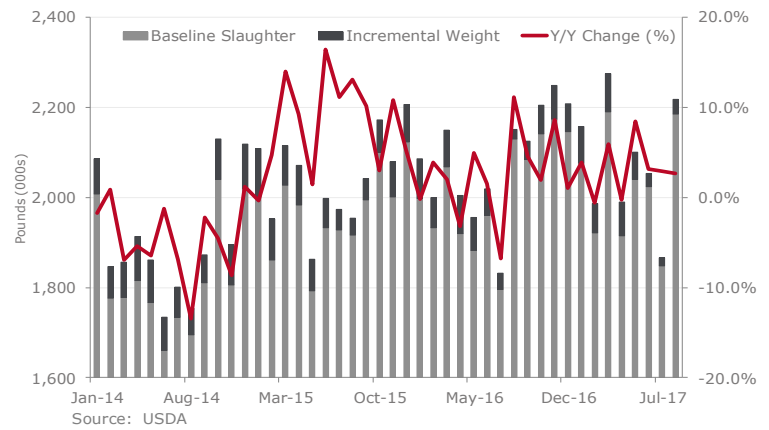
**Pork Exports**



**Cold Storage Inventories**



**Monthly Processing**

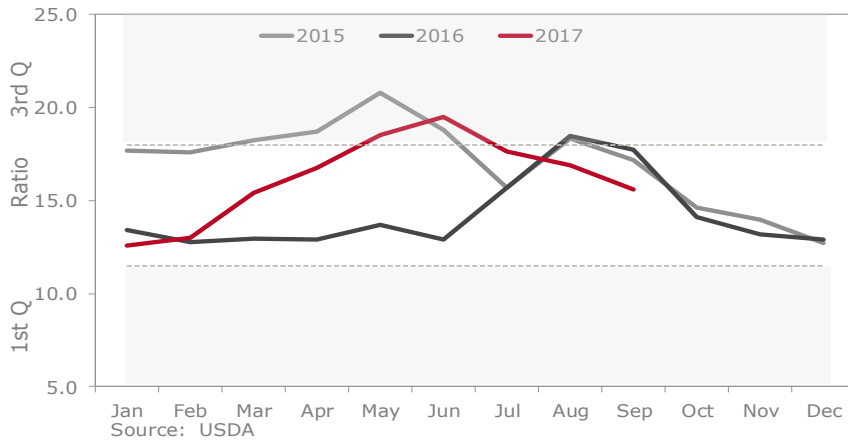


- The October average hog price of \$0.63/lb increased +5.0% vs. the prior month and increased +45.5% vs. Oct16.
- The WASDE U.S. median average price forecast for 2017 is \$49.0/cwt, up +6.2% from \$46.2/cwt in 2016. The prior projection for 2017 was \$50.5/cwt. Total 2017 production is estimated to be 25.8mm lbs., up +3.6% vs. 2016.
- The September average cut-out value decreased -15.0% vs. the prior month and decreased -1.3% vs. Sep16.

- Fundamentals: Cold storage decreased -5.5% in September Y/Y, which is up +180bp vs. the prior month. Sow slaughter increased +2.1% in August Y/Y, which is down -390bp vs. the prior month. Exports increased +0.4% in August Y/Y, which is up +370bp vs. the prior month. Hogs processed increased +2.6% in August Y/Y which is down -30bp vs. the prior month. Slaughter weight data indicates that heavier weights contributed to +1.4% of total slaughter volume, which is up +40bp vs. the prior year period.

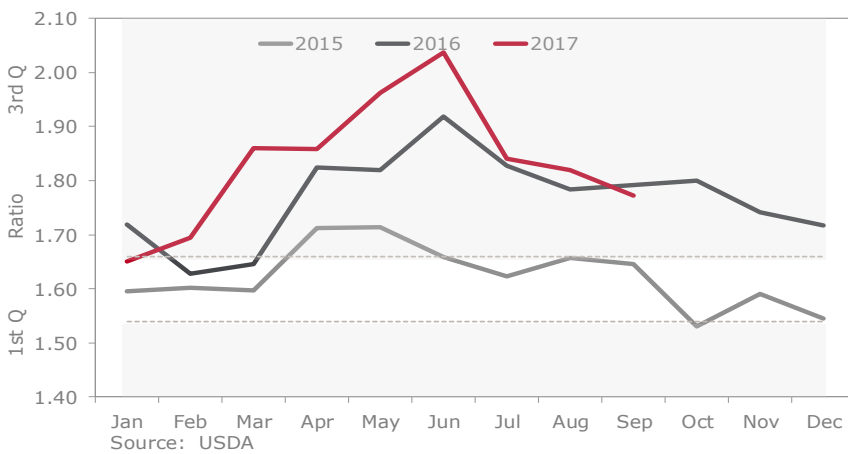
**Packer Margin Environment:** Chicken, beef and pork estimated packer ratios have all dipped below 2016 levels as cut-out values have declined in recent months.

**Chicken**



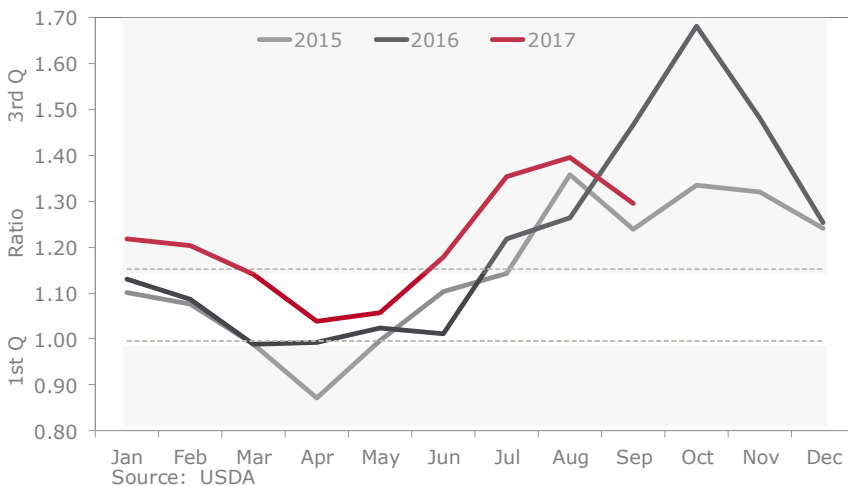
- The September USDA monthly average chicken breast price to feed cost ratio of 15.6 decreased -1.3 vs. the prior month and decreased -2.1 vs. the prior year period.
- The 10 year average ratio of 14.9 places the Sep17 result in the middle 50% of the 2007-2017 monthly results

**Beef**



- The September USDA monthly average beef cut-out to live cattle ratio of 1.77 decreased -0.05 vs. the prior month and decreased -0.02 vs. the prior year period.
- The 10 year average ratio of 1.62 places the Sep17 result in the top 25% of the 2007-2017 monthly results.

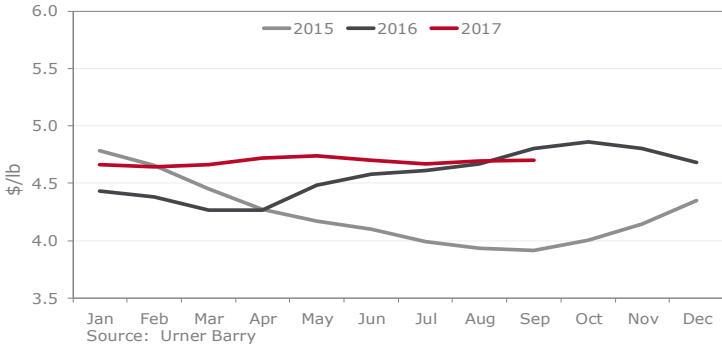
**Pork**



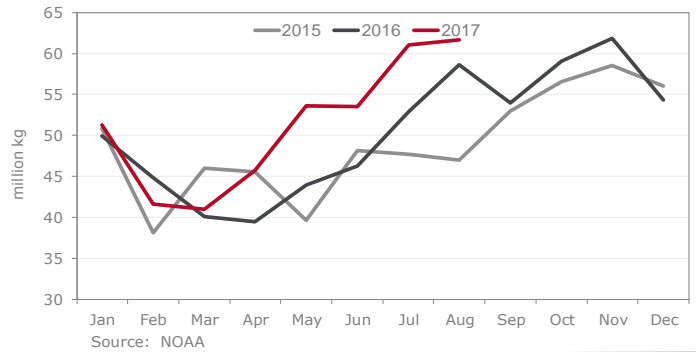
- The September USDA monthly average pork cut-out to live hog ratio of 1.30 decreased -0.09 vs. the prior month and decreased -0.17 vs. the prior year period.
- The 10 year average ratio of 1.09 places the Sep17 result in the top 25% the 2007-2017 monthly results.

**Seafood:** Shrimp and salmon prices are in-line with 2015/16 levels on strong imports; and pollock prices are at multi-year lows.

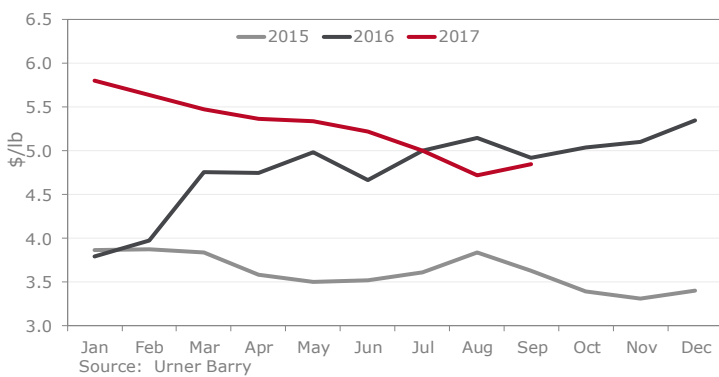
**Urner Barry Farm-Raised White Shrimp Index**



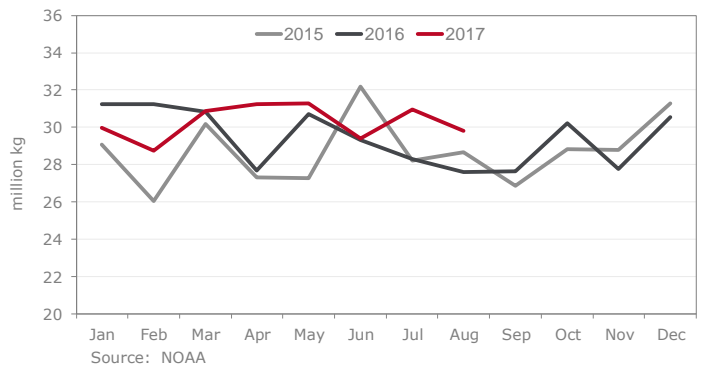
**Shrimp Imports – Total Volume**



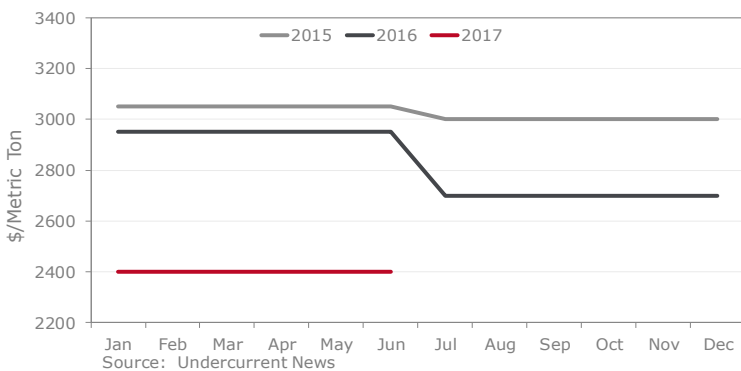
**Urner Barry Fresh Farmed Salmon Index**



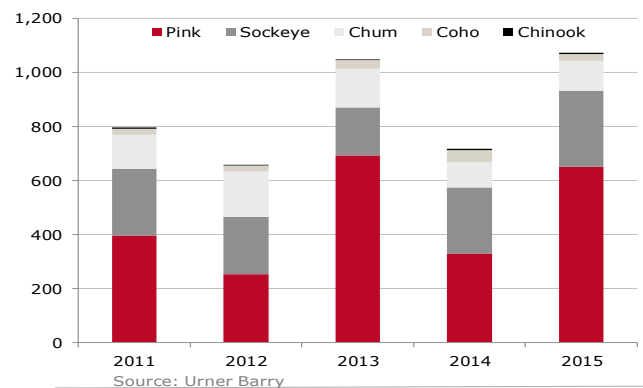
**Salmon Imports – Total Volume**



**Alaskan Pollock**



**Wild Alaskan Landings by Specie**

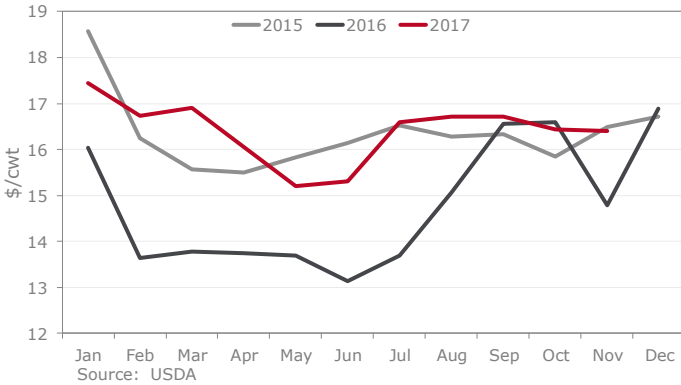


- The September Urner Barry farm-raised white shrimp price of \$4.70/lb increased +0.2% vs. the prior month and decreased -2.2% vs. the prior year period.
- The September Urner Barry fresh farmed salmon price of \$4.85/lb increased +2.8% vs. the prior month and decreased -1.4% vs. the prior year period.
- The Undercurrent News 1H17 Alaskan Pollock price of \$2400/metric ton decreased -11.1% vs. the 2H16 price of \$2700/metric ton. 2017 Prices remained under pressure due to increased supply levels from remaining 2016 stock and are the lowest season A price levels on record since 2005.

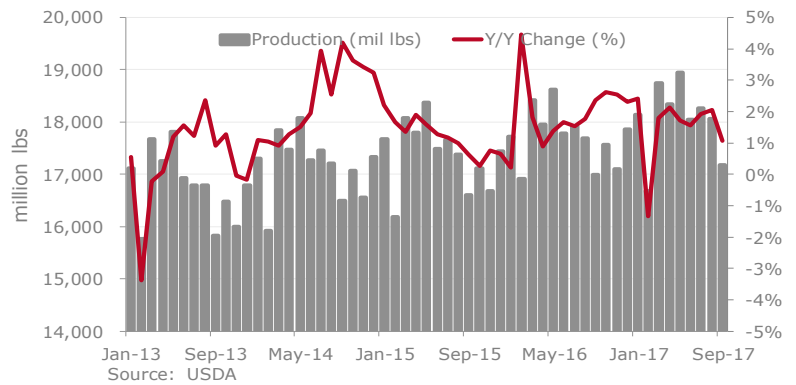
- The August NOAA measure of total US shrimp imports was 61.7mm kg, an increase of +1.0% vs. the prior month and an increase of +5.2% vs. Aug16.
- The August NOAA measure of total US salmon imports was 29.8mm kg, a decrease of -3.8% vs. the prior month and an increase of +7.9% vs. Aug16.
- 2015 wild Alaskan landings by specie increased +49.5% vs. 2014 and was slightly above 2013 total landings. The increase in landings was led by a +98% rise in pink salmon.

**Dairy:** Current prices are in-line with 2016 levels as exports level off and supplies remain ample.

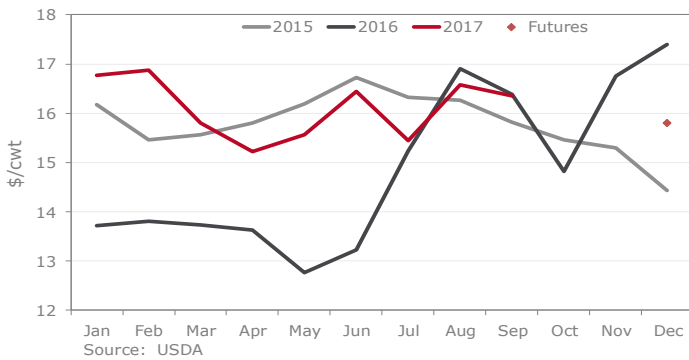
**Class I Milk**



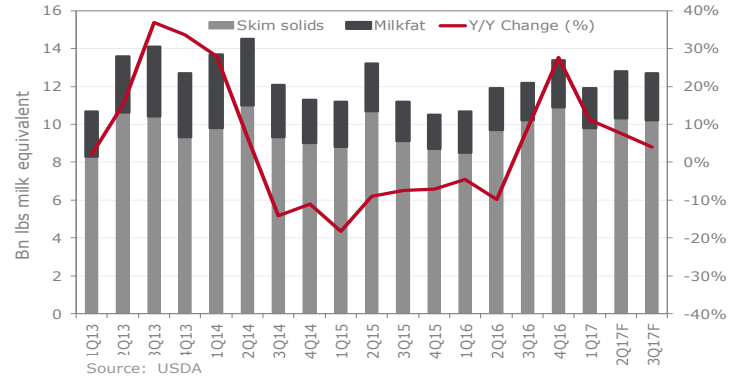
**Milk Production**



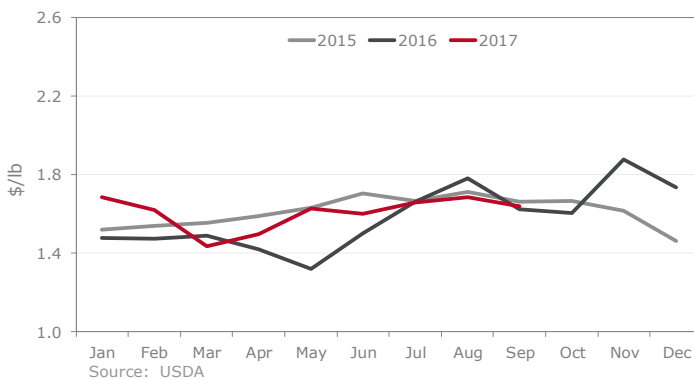
**Class III Milk**



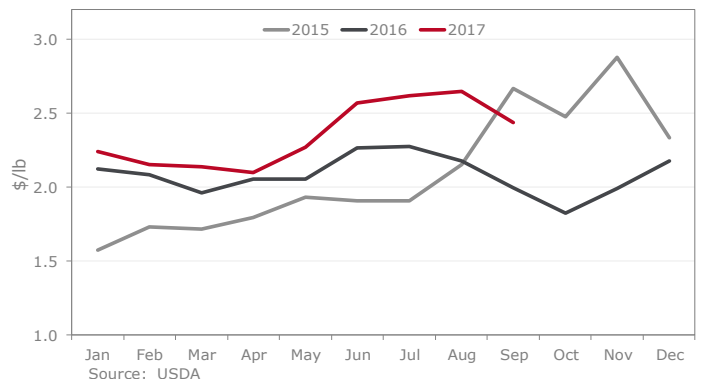
**Dairy Exports**



**Cheddar Cheese, 40lb. block**



**Butter Prices Grade AA**

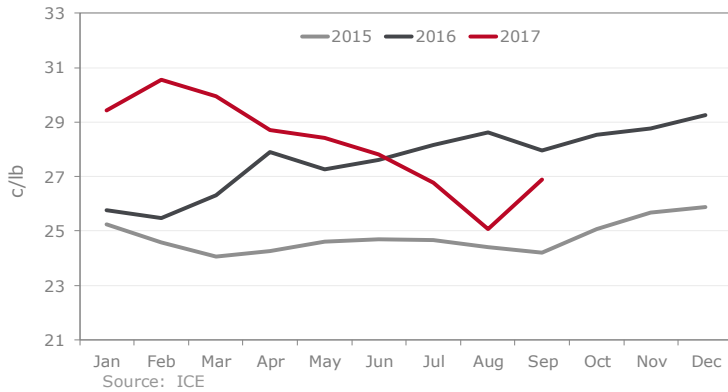


- The November USDA class I milk price of \$16.41/cwt decreased -0.2% vs. the prior month and increased +11.0% vs. Nov16. The September average class III milk price of \$16.36/cwt decreased -1.3% vs. the prior month and decreased -0.2% vs. Sep16.
- The WASDE U.S. median average price forecast for 2017 is \$17.80/cwt, up +9.2% from \$16.30/cwt in 2016. The prior projection for 2017 was \$17.90/cwt. Total 2017 production is estimated to be 216.2 bn lbs., up +1.8% vs. 2016.
- The September USDA average cheese price of \$1.64/lb decreased -2.9% vs. the prior month and increased +0.9% vs. Sep16.

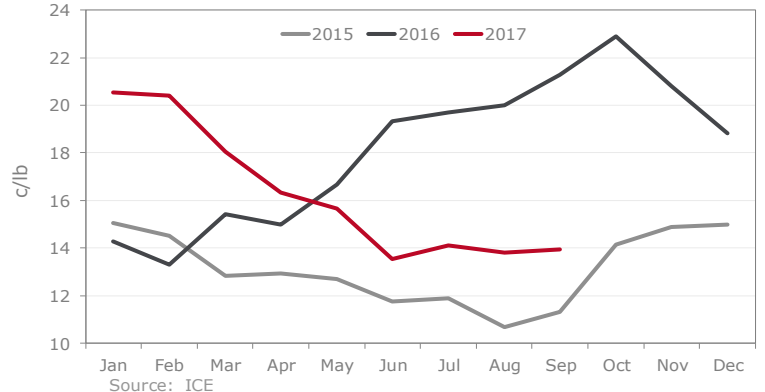
- Fundamentals: Milk production increased +1.1% in August Y/Y, which increased +100bp vs. the prior month. The milk cow herd size was up +70bp vs. the prior year period. Total milkfat and skim solid exports are expected to increase +4.1% in 3Q17 Y/Y, which is down -350bp vs. the prior quarter.
- September average USDA Grade AA butter prices of \$2.44/lb decreased -7.9% vs. the prior month and increased +22.2% vs. Sep16.

**Specialty Crops:** Current sugar, coffee, cotton and orange juice prices appear to have bottomed following periods of decline, while cocoa prices have been leveled off since April.

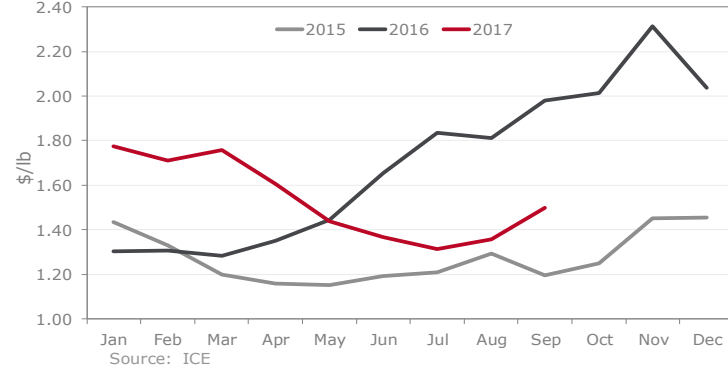
**Sugar #16 Prices**



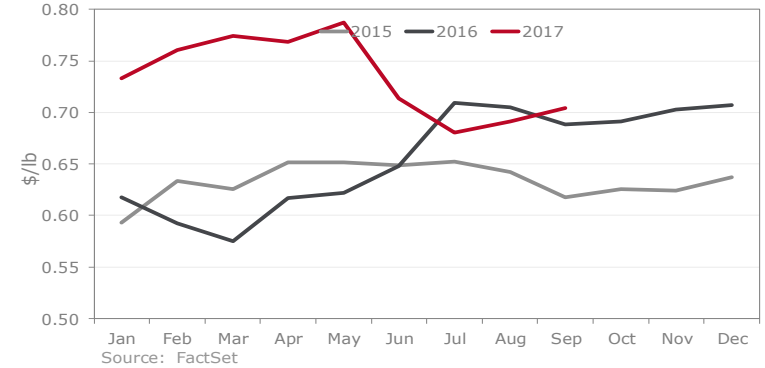
**Sugar #11 Prices**



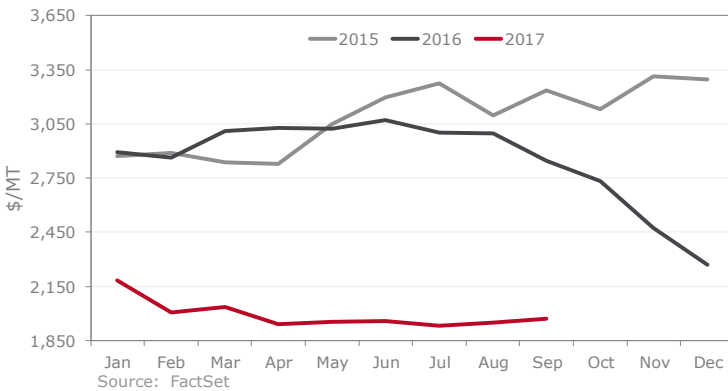
**Orange Juice**



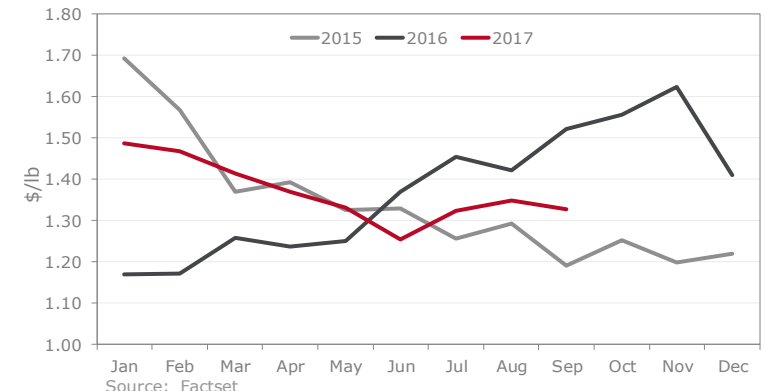
**Cotton**



**Cocoa**



**Coffee**

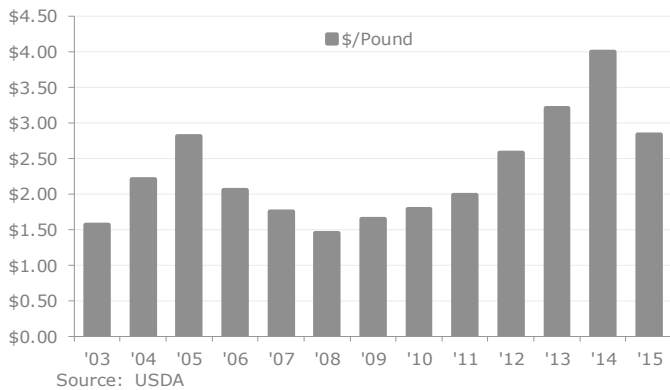


- The September ICE sugar #16 average price of \$0.269/lb increased +7.3% vs. the prior month and decreased -3.8% vs. the prior year period.
- The September ICE orange juice average price of \$1.50/lb increased +10.4% vs. the prior month and decreased -24.4% vs. the prior year period.
- The September cocoa average price of \$1,970/MT increased +1.2% vs. the prior month and decreased -30.8% vs. the prior year period.

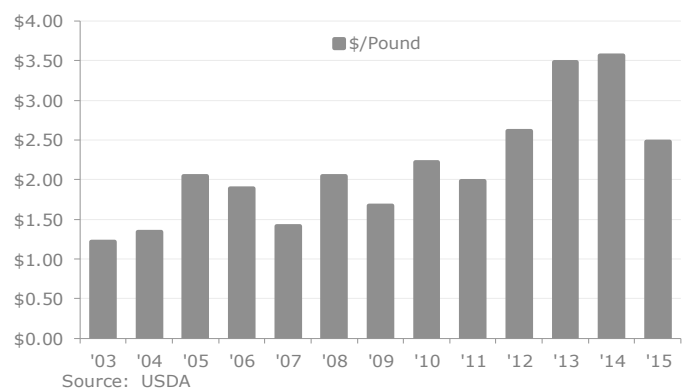
- The September ICE sugar #11 average price of \$0.139/lb increased +0.9% vs. the prior month and decreased -34.6% vs. the prior year period.
- The September average cotton price of \$0.70/lb increased +2.0% vs. the prior month and +2.4% vs. the prior year period
- The September average coffee price of \$1.33/lb decreased -1.5% vs. the prior month and decreased -12.8% vs. the prior year period.

**Specialty Crops:** Growers anticipate improved yields in 2016 while keeping an eye on opportunities to improve both foreign and domestic shipments.

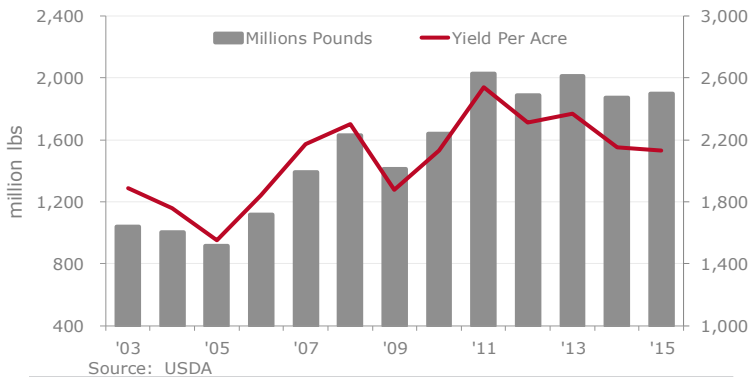
**Almond Prices**



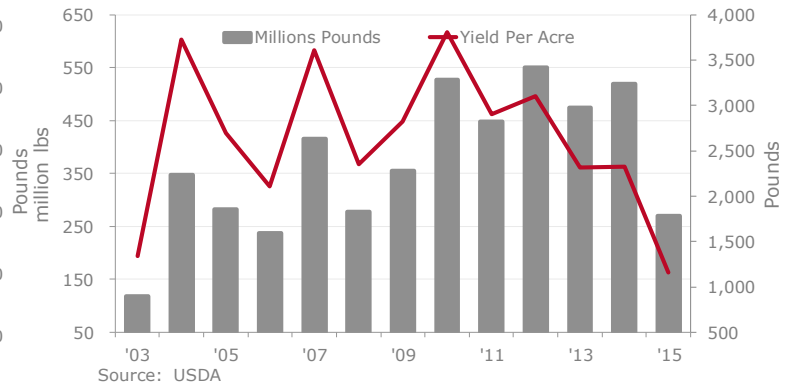
**Pistachio Prices**



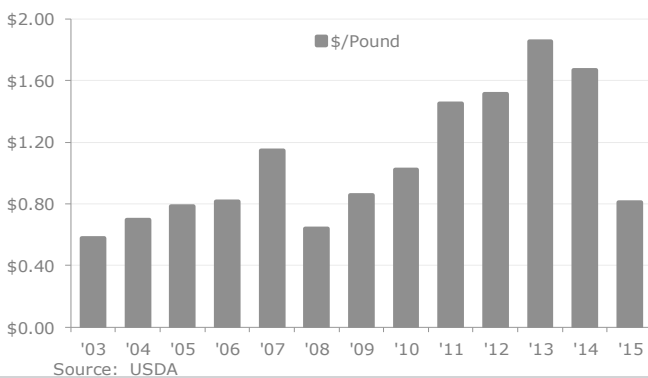
**Almond Acres & Yield**



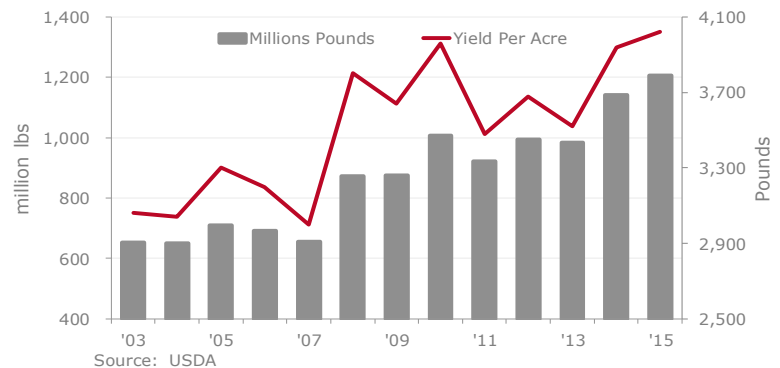
**Pistachio Acres & Yield**



**Walnut Prices**



**Walnut Acres & Yield**

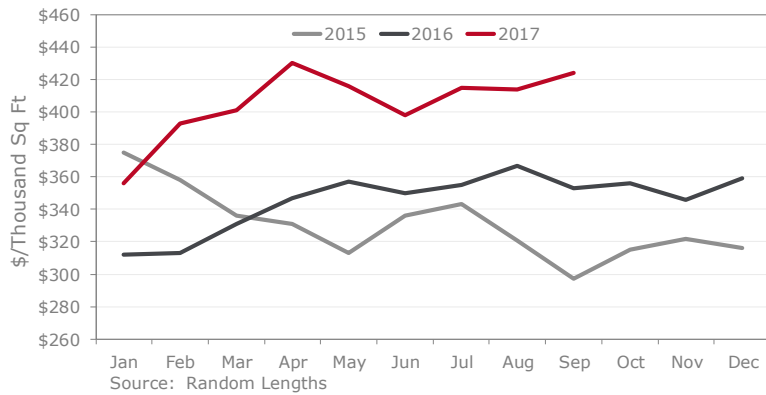


- The 2015 USDA average grower price for almonds of \$2.84/lb decreased -29.0% vs. the 2014 average price of \$4.00/lb.
- The 2015 total annual almond production of 1,900 million pounds increased +1.6% vs. the 2014 annual production of 1,870 million pounds. The 2015 average yield per acre of 2,130 pounds decreased -0.9% vs. the 2014 average of 2,370 pounds.
- The 2015 USDA average grower price for walnuts of \$0.81/lb decreased -51.5% vs. the 2014 average price of \$1.67/lb.

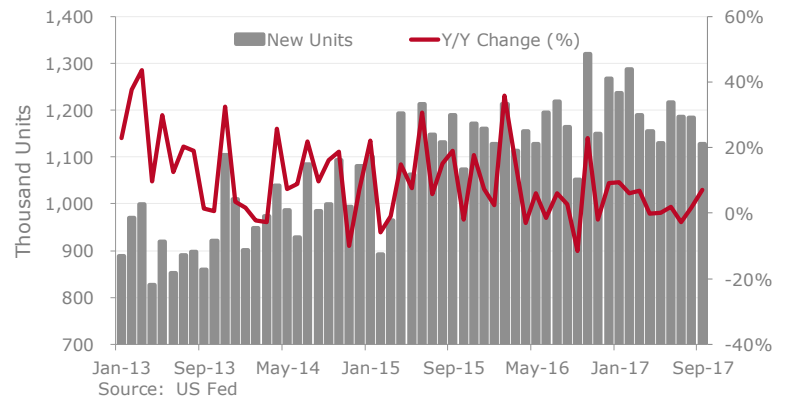
- The 2015 USDA average grower price for pistachios of \$2.48/lb decreased -30.5% vs. the 2014 average price of \$3.57/lb.
- The 2015 total annual pistachio production of 270mm pounds decreased -48.0% vs. the 2014 production of 519mm pounds. The 2015 average yield per acre of 1,600 pounds decreased -50.2% vs. the 2014 average of 2,330 pounds.
- The 2015 total annual walnut production of 1,206mm pounds increased +5.6% vs. the 2014 production of 1142mm pounds. The 2015 average yield per acre of 4,020 pounds increased +2.0% vs. the 2014 average of 3,940 pounds.

**Forestry Products:** Strength in housing starts and remodel activity continues to support demand for framing lumber and structural panel prices.

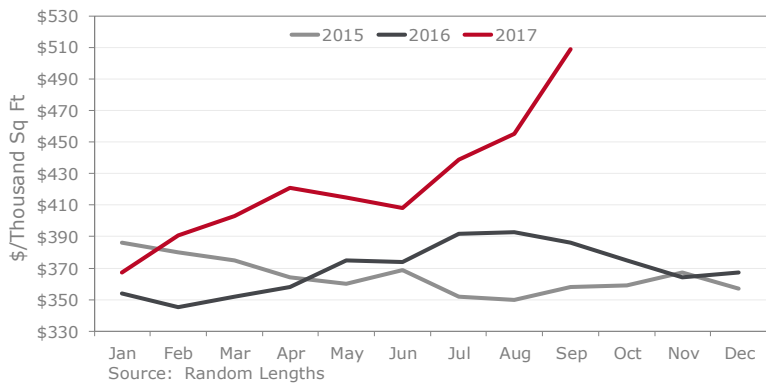
**Framing Lumber Index**



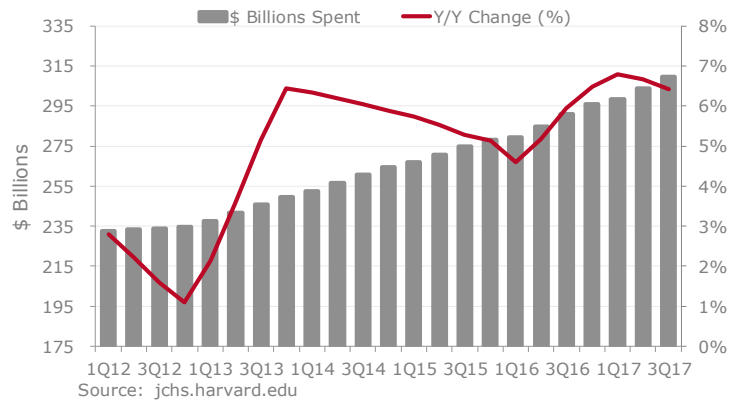
**U.S. Housing Starts**



**Structural Panel Index**



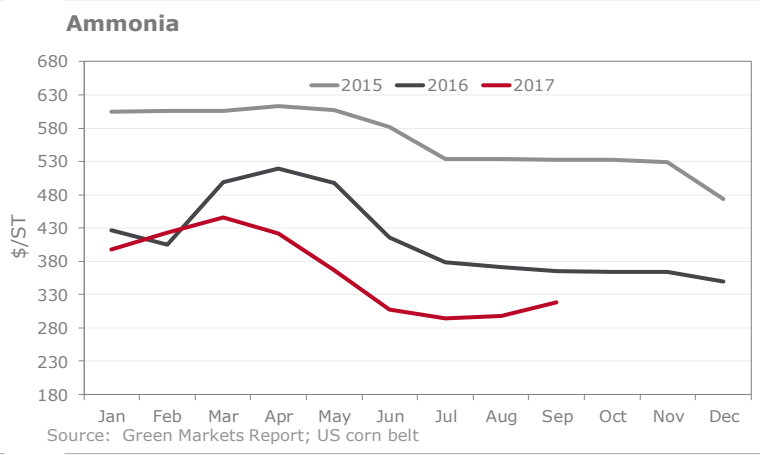
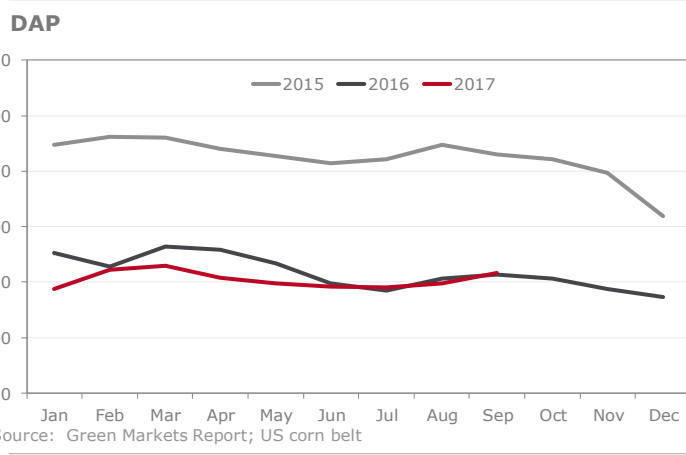
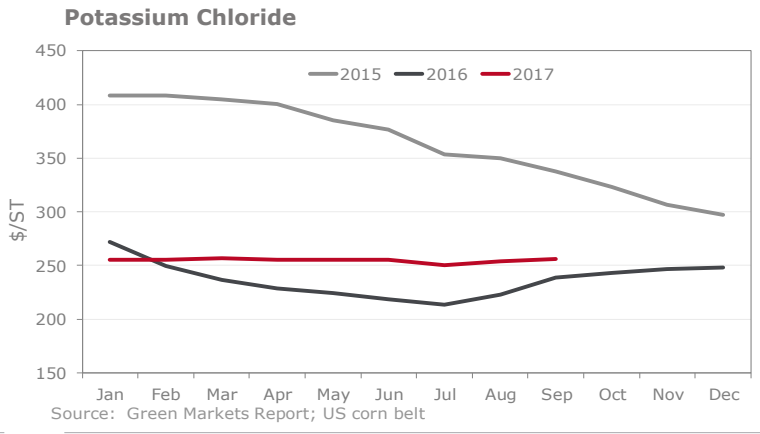
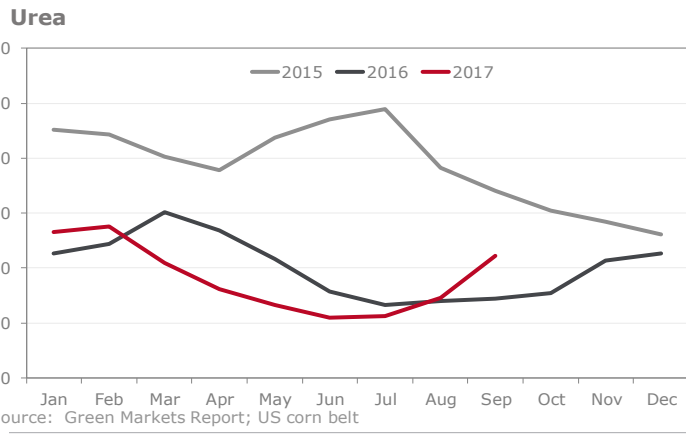
**Repair & Remodel Expenditures (LTM total)**



- The September Framing Lumber Composite Index of \$424/thousand sq ft increased +2.4% vs. the month prior and increased +20.1% vs. the prior year period.
- The September Structural Panel Composite Index of \$509/thousand sq ft increased +11.9% vs. the prior month and increased +31.9% vs. the prior year period.

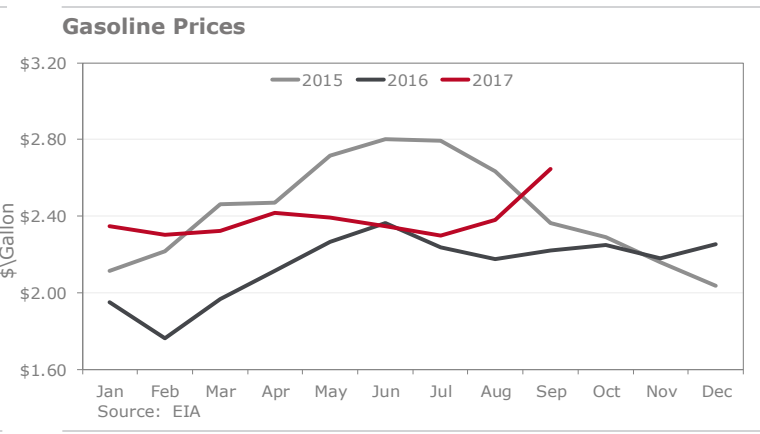
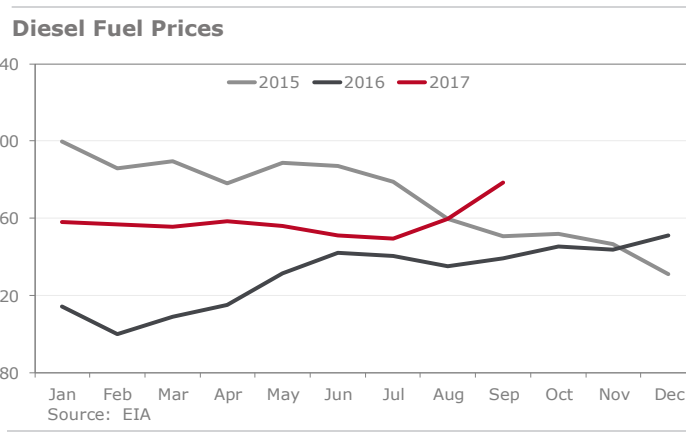
- The September U.S. Housing Starts of 1.13 million units decreased -4.7% vs. the prior month and increased +7.1% vs. the prior year period.
- The 3Q17 LTM repair and remodel total expenditure of \$309.7Bn increased +1.9% vs. the prior quarter and +6.4% vs. the prior year period.

**Crop Inputs:** Fertilizer prices remain under pressure with higher than expected imports; all 4 fertilizers are near 2016 levels as Urea ticks higher.



- The September US corn belt urea average price of \$261.0/ST increased +17.4% vs. the prior month and increased +17.7% vs. the prior year period.
- The September US corn belt DAP average price of \$358.0/ST increased +2.6% vs. the prior month and increased +0.4% vs. the prior year period.

- The September US corn belt potassium chloride average price of \$256.0/ST increased +0.9% vs. the prior month and increased +7.3% vs. the prior year period.
- The September US corn belt ammonia average price of \$319.0/ST increased +7.1% vs. the prior month and decreased -12.8% vs. the prior year period.



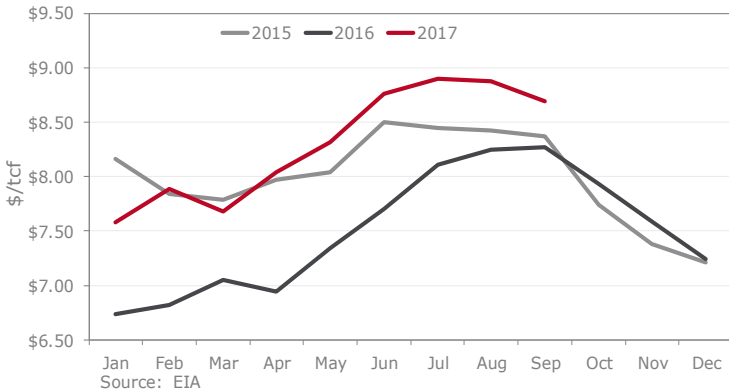
- The September average diesel fuel price of \$2.79/gal increased +7.3% vs. the prior month and increased +16.3% vs. the prior year period.

- The September average regular grade gasoline price of \$2.65/gal increased +11.1% vs. the prior month and increased +19.2% vs. the prior year period.

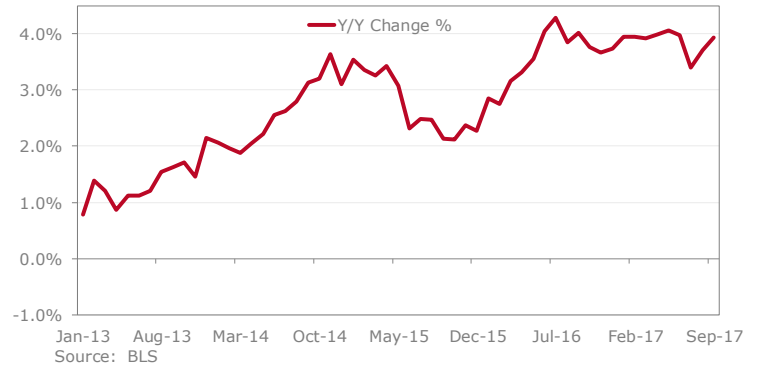


**Energy and Labor:** Global oil prices have kept energy prices in check, while we observe wage inflation gains in restaurants and supermarkets.

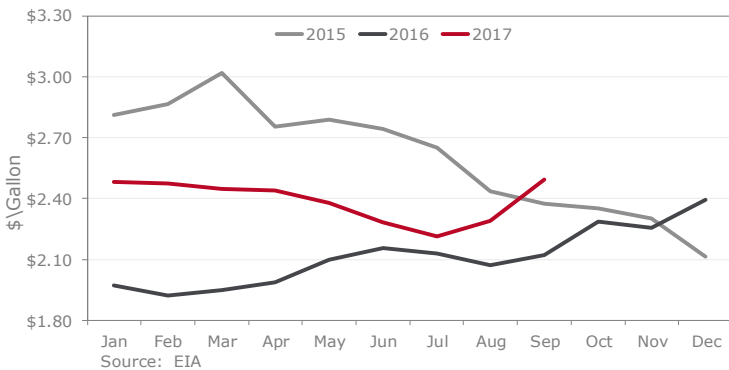
**Natural Gas Retail Prices**



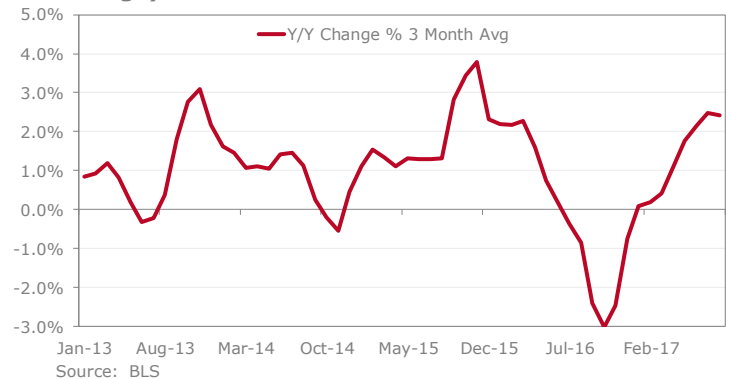
**Restaurant Hourly Earnings**



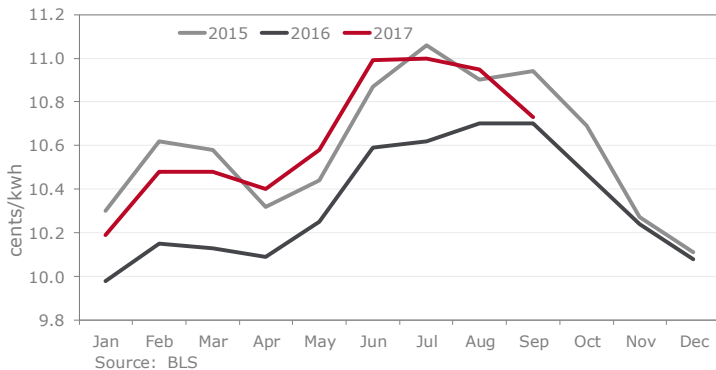
**Heating Oil Retail Prices**



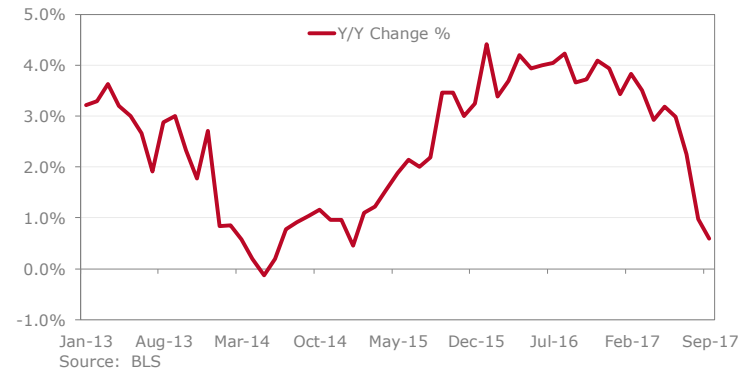
**Supermarket Hourly Earnings (3 Month Rolling Average)**



**Commercial Electricity Prices**



**Food Manufacturing Hourly Earnings**



- The September average natural gas price of \$8.69/Mcf decreased -2.1% vs. the prior month and increased +5.1% vs. the prior year period.
- The September average heating oil price of \$2.49/gal increased +8.8% vs. the prior month and increased +17.5% vs. the prior year period.
- The September average electricity price of \$0.1073/kWh decreased -2.0% vs. the prior month and increased +0.3% vs. the prior year period.

- The restaurant labor index increased +3.9% Y/Y in September, which was up +20bp vs. the prior month and down -10bp vs. the prior year period.
- The supermarket labor index increased +2.4% Y/Y in August, which was down -10bp vs. the prior month and up +330bp vs. the prior year period.
- The food manufacturing labor index increased +0.6% Y/Y in September, which was down -40bp vs. the prior month and down -310bp vs. the prior year period.

## Food and Agribusiness Industry Advisors

Christopher Innes, CFA  
Packaged Food, Restaurant and Food Retail  
Sector Manager  
[Christopher.c.innes@wellsfargo.com](mailto:Christopher.c.innes@wellsfargo.com)  
212-214-7823

Kevin Bergquist  
Forest Products Sector Manager  
[bergquk@wellsfargo.com](mailto:bergquk@wellsfargo.com)  
503-886-4148

David Branch  
Specialty and Non-Grain Crop Sector Manager  
[David.e.branch@wellsfargo.com](mailto:David.e.branch@wellsfargo.com)  
704-410-8997

Matt Dusi  
Specialty and Non-Grain Crop Sector Manager  
[Matt.w.dusi@wellsfargo.com](mailto:Matt.w.dusi@wellsfargo.com)  
559-203-2994

Scott Etzel  
Protein - Seafood Sector Manager  
[etzel@wellsfargo.com](mailto:etzel@wellsfargo.com)  
503-886-4164

Rob Fox  
Dairy Sector Manager  
[Robert.g.fox@wellsfargo.com](mailto:Robert.g.fox@wellsfargo.com)  
312-845-9743

Tim Luginsland  
Grain & Oilseed Sector Manager  
[luginstr@wellsfargo.com](mailto:luginstr@wellsfargo.com)  
913-234-2921

Lee Ann Pearce  
Specialty and Non-Grain Crop Sector Manager  
[Leeann.pearce@wellsfargo.com](mailto:Leeann.pearce@wellsfargo.com)

Matt Stommes  
Protein - Poultry & Beef Sector Manager  
[Matthew.j.stommes@wellsfargo.com](mailto:Matthew.j.stommes@wellsfargo.com)  
612-316-3724

Lon Swanson  
Crop Inputs/Feed Sector Manager  
[Lon.k.swanson@wellsfargo.com](mailto:Lon.k.swanson@wellsfargo.com)  
913-234-2922

Michael Swanson, Ph.D.  
Chief Agriculture Economist  
[Michael.j.swanson@wellsfargo.com](mailto:Michael.j.swanson@wellsfargo.com)  
612-667-5136

Denise Cahill  
Industry Advisors Group Manager  
[cahilldl@wellsfargo.com](mailto:cahilldl@wellsfargo.com)  
559-622-3012

Karol Aure-Flynn  
Specialty Crops Analyst, Analyst Team Lead  
[Karol.aure-flynn@wellsfargo.com](mailto:Karol.aure-flynn@wellsfargo.com)  
559-622-3045

Chris Eggerman  
Sector Analyst, Grains, Crop Inputs, Forest Products  
[Chris.eggerman@wellsfargo.com](mailto:Chris.eggerman@wellsfargo.com)  
913-234-7702

Courtney Schmidt  
Sector Analyst, Protein, Dairy  
[Courtney.b.schmidt@wellsfargo.com](mailto:Courtney.b.schmidt@wellsfargo.com)  
361-574-5207

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